RESEARCH BRIEF

Marcus & Millichap

STIMULUS

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Stimulus Aims to Support Unemployed, Jump-Start Economy

American Rescue Plan Act signed into law. The latest round of stimulus, at $1.9 trillion, is the second largest package ever passed by Congress. The spending bill contains relief for individuals, states, and schools, as well as new financial resources for vaccine distribution. Additional funding is allocated to restaurants, which could support struggling establishments after a winter spike in cases forced many such businesses to shutter or sharply curtail occupancy. Passed along party lines, the bill may represent the last round of stimulus to combat the economic damage caused by the global health crisis. The Biden administration has signaled a welcoming stance to further spending, though a rapidly falling case count could end the need. Inflation concerns may also prompt greater pushback from budget hawks.

Extended unemployment insurance benefits apartment owners. The previous stimulus passed in December as part of an omnibus bill had pushed federally sponsored unemployment benefits out to March, supporting apartment rent collections. The percentage of apartment owners collecting rent had slowly declined, falling to a cyclical low in January at 93.2 percent. That figure ticked up in February as unemployment payments that expired at the end of last year were reinitiated. The latest stimulus extends federally funded unemployment insurance to September of this year at $300 per week. A combination of rising retail openings and federal unemployment assistance should help return rent collections to pre-recession levels.

Individual checks to boost retail sales. An infusion of $600 checks to Americans in January helped push retail sales up 5.3 percent. The latest round of stimulus includes $1,400 for individuals, though the qualification stipulations are narrower. Nonetheless, the influx of cash pushed into the economy at a time when more establishments are permitted to operate should bode well for retail real estate. Furthermore, the recipients are more likely to spend the stimulus checks rather than save them due to a reduction in income caused by the pandemic.

Monetary Headwinds Forming

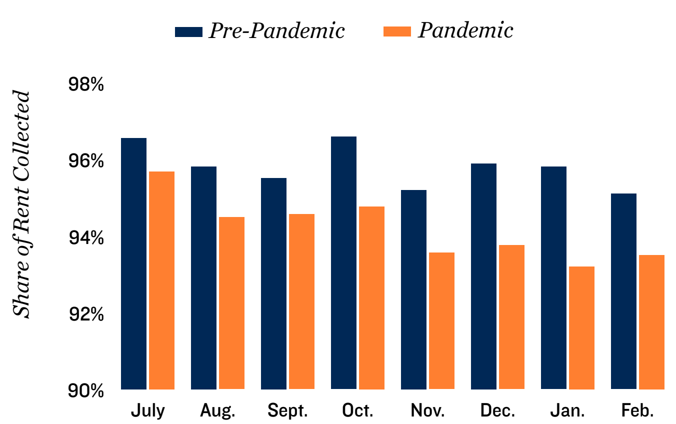
Concerns about inflation elevate. Federal Open Market Committee Chairman Jerome Powell recently commented that reopening could lead to an increase in prices, though he believes it will be temporary. Other experts are not as confident in the temporary nature of inflation. The money supply has increased nearly 26 percent over the past 12 months, putting pressure on prices. The Fed has announced that it will let inflation run "hot" prior to raising rates, but balancing inflation and economic growth may be challenging in a post-pandemic environment.

Fed to keep rates low amid high unemployment. In an effort to keep markets calm, the Fed has committed to holding interest rates low for an extended period. The central bank's dual mandate is heavily tipped in favor of full employment over inflationary pressure. Assets that tend to perform as a hedge against inflation, including commercial real estate, could attract a significant share of the capital that has been pushed into the markets.

$1.9T *American Rescue Plan Act Total Stimulus*

93.5% *Rent Collections in February 2021*

Apartment Collections Rise in February



Sources: Marcus & Millichap Research Services; National Multi-Housing Council; U.S. Census Bureau